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MINISTRY OF INDUSTRY

RESOLUTION

INDUSTRIES DEVELOPMENT PROCEDURES COMMITTEE

New Delhi, the 10th June 1964

No. 13(4)/Lic.Pol./64.—In a Resolution, dated 13th January, 1964, the Government of India in the Ministry of Industry announced the decisions of Government on the recommendations contained in the Interim Report of the Industries Development Procedures Committee constituted on 24th September, 1963, under the Chairmanship of Shri T. Swaminathan.

2. The Committee submitted its final report on 18th March, 1964, which has been released for publication today. In its final report, the Committee has considered procedures and matters other than those covered by the recommendation in the Interim Report. The main recommendations contained in the final report and Government's decisions thereon are given below.

3. Main recommendations in the Final Report:

(i) Procedure for industries other than 'key' industries:

In respect of Industries other than 'key' industries, the Committee has expressed the view that for various practical reasons, including the foreign exchange shortages which make difficult the prompt clearance in all cases of import of capital goods, it would not be practicable to follow the special procedures recommended for 'key' industries. It has, therefore, suggested that, wherever the availability of foreign exchange is not the main limiting factor, after the issue of a letter of intent, all subsequent clearances, such as the import of Capital Goods, approval of foreign collaboration terms, and issue of Capital should be given within three months from the date of receipt of the respective applications. A procedure for keeping a close watch on timely clearances has also been prescribed.

(ii) Special procedure for certain industries other than 'key' industries which are import saving or substantially export-oriented:

The Committee has listed a few industries in which substantial imports are at present taking place. It has recommended that the special procedure for 'key' industries should be made applicable to these industries and also in the case of any other industries which Government consider to be of special importance from the point of view of earning substantial amounts of foreign exchange through exports.

(iii) *Procedure relating to licensing of Raw Materials/Components:*

As delays in the issue of licences for raw materials affect industrial production, the Committee has suggested that ways and means should be found of issuing licences within three months from the commencement of each licensing period. If, for any reason, this procedure is not found practicable, in the interests of ensuring continuous production, the Committee has recommended that *ad hoc* licences equal to 50 per cent of the value of the licence for the first half of the previous licensing year should be issued. For the second half, the Committee has recommended that all licensees should be authorised by a General Notification to utilise at least 50 per cent of the value of the licence for the second half, pending the final announcement of policy for this period. The Committee has also suggested that while issuing licences for raw materials, the limitations should normally be value-wise and not quantitative, so that the licensee has the discretion to import any of the permissible items listed in the licence in such proportions as may be necessary.

(iv) *Forms of application for industrial licences and licences for the import of capital goods:*

The Committee has suggested some modifications to these forms, mainly with a view to ensure simplification in some ways. Another consideration that has been taken into account is the extent of detailed information likely to be available to the applicant at the time of his application.

The Committee has recommended the submission of two applications for industrial licence, one, a preliminary application (along with the Treasury Challan) to enable the issue of a 'letter of intent' speedily, and the other a final application at a later stage at the time of the issue of a formal industrial licence. The consideration which has guided the Committee in suggesting two applications instead of one application as hitherto is that at the time of initial application, the entrepreneur does not have a detailed, clear picture of all the items prescribed in the application form. It is not unlikely that in respect of many of the items on which information has been furnished by the applicant in the preliminary application the position may change substantially after consultations and negotiations with foreign collaborators and machinery suppliers, both indigenous and foreign. As the Licensing Sub-Committee's final decision on the conversion of a 'letter of intent' into an industrial licence would depend on a correct final appraisal of all material factors, a final application is also proposed. In the case of 'key' industries, this final application is to be considered along with the simultaneous consideration of the subsequent clearances relating to capital goods, foreign collaboration terms, issue of capital etc. In the case of the remaining industries, the final application is to be submitted either along with the capital goods application or at some other suitable point of time when all the relevant final details are available to the applicant. This final application is to be considered by the administrative Ministry concerned before conversion of the 'letter of intent' into an industrial licence.

(v) *Recommendation of the Committee after a year:*

The Committee has stated that it is important that the actual working of the revised procedures should be studied over a period of time. Accordingly, the Committee has recommended that it may be reconstituted after a year, with the same composition as far as may be, to study the results of the working of the revised procedures and to make suitable recommendations to Government.

4. Other General Recommendations of the Committee:

The Committee has also made recommendations regarding—

- (i) residual action in cases where letters of intent/licences have already been issued for 'key' industries;
- (ii) form of 'letter of Intent';
- (iii) issue of import licence for spare parts either received short or in damaged condition and replacement of which is made free of cost either by the supplier or on payment by Insurance Company; and
- (iv) procedure, in the case of 'key' industries, for consideration of application for grant of loans by the Industrial Credit and Investment Corporation of India and the Industrial Finance Corporation.

5. Government's decision on the Committee's recommendations:

Government accept in principle the above recommendations of the Committee. As regards the Committee's recommendations regarding the licensing of raw materials/components, Government believe that it should be possible to issue licences within a period of three months from the commencement of each licensing period; every endeavour will be made to ensure this. Should there, however, be delay, Government have devised a simpler alternative procedure to secure the object which the Committee had in view. Instead of issuing *ad hoc* licences, it is proposed to take action as under:

- (i) In the case of industries where annual licensing is done and where the raw material requirements are not likely to be met from newly developed indigenous sources, annual licences of the same value as for the previous year would be issued subject to the condition that during the first half of the licensing period only 50 per cent of the value of the annual licence can be utilised. There would be simultaneous authorisation for the utilisation of an additional 25 per cent from the commencement of the second half of the licensing period. The value of these licences would be suitably adjusted when the final policy for the period is announced.
- (ii) In other cases, licences for the industry's requirements for the first half year will be issued of a value not exceeding the value licensed for the first half of the previous licensing period.

The additional authorisation of 25 per cent of the value of the annual licence for the second half of the licensing period will not, however, be made in the case of established importers.

Appropriate steps are being taken to implement the recommendations of the Committee.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned.

Ordered also that the Resolution be published in the Gazette of India, for general information.

S. RANGANATHAN, Secy.

